Budget Request Basics

This section describes the key elements of the operating budget submittal.

1.1   The strategic framework for budget decisions

The Priorities of Government approach provides the strategic framework for the budget

The Governor relies on the Priorities of Government (POG) approach for developing a strategic framework for making investment decisions. This approach starts with several basic questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?
- How will we measure progress?

This approach has proved effective in helping budget decision makers better understand the activities, costs, and outcomes of state government from the view of the entire enterprise.

Statewide results that citizens most expect

On page seven you will find an overview of the POG process. For the 2007-09 budget development effort, POG will focus on ten critical statewide results that citizens expect from government. A list of these results and the high-level strategies identified by POG teams are listed below.

Statewide Result Areas and Strategies	
Improve student achievement in elementary, middle and high schools	Improve the value of postsecondary learning
- Support early education and learning - Give students individual attention - Support parent and community connections - Provide general education support for students - Provide education in a residential setting - Keep students healthy and safe - Align curriculum, instruction and assessment - Provide strategic and individualized preparation for education staff - Support career preparation during K-12 - Promote strong educational leadership	- Provide convenient and efficient post-secondary education - Provide support services to college students - Increase access to high-quality post-secondary education programs - Provide access to high-quality research opportunities - Offer university services to the community - Upgrade the skills of current or returning retired workers - Support career preparation beyond high school

Statewide Result Areas and Strategies	

Improve statewide mobility of people, goods and services
 	
▪ Improve mobility system quality and service
   ▪ Provide additional connectivity between nodes
   ▪ Increase non-motorized trips in urban areas
   ▪ Promote access to telecommunications
   ▪ Improve mobility for commercial vehicles and freight
   ▪ Provide additional capacity on deficient corridors
▪ Preserve and maintain state, regional and local transportation systems
   ▪ Preserve essential components of the system
   ▪ Improve all-weather roads on freight corridors
   ▪ Maintain bandwidth to meet demand
   ▪ Eliminate deficient bridges
▪ Manage system operations and demand effectively
   ▪ Maximize use of the existing system
   ▪ Increase travel safety and incident responsiveness
   • Support local government efforts to increase average vehicle occupancy
▪ Effective system governance and management
	Improve the economic vitality of businesses and individuals
	
	• Return unemployed, underemployed or injured workers to work
	• Improve workplace safety and fairness
	• Develop markets by promoting Washington products and services
	• Provide consumer protection
	• Regulate the economy to ensure fairness, security and efficiency
	• Remove economic development barriers through targeted infrastructure and assistance
	• Coordinate government efforts to improve the effectiveness of economic development investments
	• Help develop affordable housing
	• Provide seed and growth capital and support entrepreneurs

Improve the health of Washingtonians • Increase healthy behaviors • Mitigate environmental hazards • Identify and mitigate health risk factors • Provide access to appropriate health care ▪ Provide drug and alcohol abuse prevention and treatment services	**Improve the safety of people and property** ▪ Confine and rehabilitate offenders ▪ Prevent crime ▪ Prevent accidents and prepare for emergencies ▪ Respond to emergencies ▪ Enhance highway safety ▪ Support crime response and recovery ▪ Enforce the law ▪ Support crime investigation
Improve the quality of Washington's natural resources ▪ Establish safeguards and standards to protect natural resources ▪ Preserve, maintain and restore natural systems and landscapes ▪ Achieve sustainable use of public natural resources ▪ Provide good science and resource monitoring data to support decision-making ▪ Improve individual practices and choices about natural resources	**Improve cultural and recreational opportunities throughout the state** ▪ Provide stewardship of cultural and recreational assets ▪ Ensure access to cultural and recreational opportunities ▪ Support private groups and local governments with cultural/recreational opportunities ▪ Enhance awareness of cultural and recreational opportunities ▪ Ensure quality cultural and recreational experiences
Improve the security of Washington's vulnerable children and adults • Respond to abuse/neglect allegations • Provide emergency cash, food, and shelter assistance • Provide institutional-based services • Provide community-based residential services • Provide in-home care supports • Provide secure treatment settings • Prepare and support youth and adults for employment • Provide support services to families • Conduct community outreach/education	**Improve the ability of state government to achieve results efficiently and effectively** ▪ Provide state financial resources and services ▪ Improve decision support for government decision makers ▪ Provide logistical support for government agencies ▪ Provide human resources support for government agencies ▪ Support democratic processes and government accountability ▪ Pay for debt service

Priorities of Government – What is it?

The "Priorities of Government" budget approach helps guide budget decisions by producing a results-based prioritization of state activities.

The POG Process

The process starts by identifying the **priorities of government**: in this case, ten key results citizens expect from government.

- Each result is assigned a team of experts from different agencies, led by staff from the Governor's budget or policy office.

- These teams present their work at a series of tollgate meetings with the Guidance Team – a group of executives from state and local government and private and non-profit sector organizations. The Guidance Team makes sure the work of the teams stays result and citizen-focused.

Result Teams first **identify key indicators of success.** How would citizens know if we are making progress toward the high-level results?

Next they **identify proven or promising strategies for achieving results**. What does our experience and research tell us about the factors most critical to success? What are the indicators of success for those strategies?

Teams have access to the **activity inventory** – a catalog of the discrete activities of state government described in a citizen-oriented way.

- What do we do; for whom; why; what does it cost; what do we expect to accomplish?

Each team receives a **dollar allocation** that serves as a constraint to their purchase plan.

- The prioritization process is often more meaningful when the allocation is less than the amount currently spent in that result area.

- A dollar constraint encourages creativity, keeps proposals grounded in financial reality, and forces people to articulate priorities and choices.

The teams then **develop a results-based prioritization of activities** – Given the available resources, what are the most important activities to buy to achieve results?

- Teams are asked to focus only on maximizing results for citizens through evidenced-based strategies, and to ignore fund source and statutory restrictions that stand in the way.

- When they've exhausted their allocation, they list the items they would buy back next, in priority order.

- Conceptually, for each result you end up with a list of prioritized activities with "purchases" above the line and potential buy-backs below the line.

Key benefits of this POG framework

- Helps keep focus on contribution to priority results – lets us escape agency "silos" and consider statewide strategies.

- Makes performance information more relevant to budget choices.

- Facilitates thinking about trade-offs above and below the line and across the results areas. Does the budget make sense as a whole?

- Helps frame the questions, "Why does the line have to be drawn here? Can we make things above the line cost less? Are we sure we're buying things at the best price?"

- Helps us describe the activities and results the entire budget will buy.

Note: POG is not the actual budget. It's what the budget might look like if the only objective were to maximize results to citizens. It helps build a better budget within the complex real world and helps identify barriers that need to be removed to build an even better one.

Results Teams began meeting last fall to recommend budget focus areas

The POG process for the 2007-09 budget started last fall when results teams began to meet to complete the following tasks:

- Confirm the high-level purchase strategies the state should pursue to improve results. (See result area and strategy list on the previous pages.)

- Develop indicators of success for each of these strategies. How will we know if these strategies are successful?

- Identify three to five recommended budget focus areas— ideas with promise for improving results in the result area or reducing the cost of high-value, but high-cost activities.

These products were reviewed by members of the Governor's Government Management, Accountability and Performance leadership team. You can find the result team products on the OFM website at http://www.ofm.wa.gov/budget/pog/reports.htm. OFM is now working on refining the indicators proposed by the teams and making that information available in the Performance Measure Tracking system.

Targeted budget instructions were issued in March

In March, OFM issued targeted budget instructions to many agencies based on the budget focus areas recommended by the results teams. These agencies were asked to include specific information, budget or legislative proposals in their budget submittal. This information will be made available to the results teams in the fall as they complete their POG work. (See Section 6.2 for more information.)

Results Teams will rely on agency budget materials as they develop a prioritized purchase plan

Once agency budgets are submitted, POG results teams will meet again to complete their final task of developing a "purchase plan". This is a prioritized list of activities which, based on research and performance evidence and within some resource constraint, should enable the state to make the most possible progress toward the result.

The POG results teams will rely on budget-related information from agencies as they conduct their deliberations including:

- Agency strategic plans
  http://www.ofm.wa.gov/budget/strategic/strategic.asp

- Agency budget requests, including responses to targeted budget instructions

- Activity descriptions

- Performance information – statewide result indicators, strategy indicators and agency activity measures.

Agencies have access to all of this performance measure information through the Enterprise Reporting System. (http://reporting.ofm.wa.gov/logonform.csp?action=logoff or https://fortress.wa.gov/ofm/reporting/ for fortress users).

Teams will also consider information from GMAP forums

Agencies are using their Government Management and Accountability Performance (GMAP) processes to continuously evaluate – and improve the effectiveness of – the strategies selected through the POG process. The GMAP forums help us identify better ways to achieve results, and give us important information for subsequent prioritization efforts. Results teams will consider information and learning generated through these forums.

The best budget proposals link investments to results

The budget is one of the most important tools for implementing policy and achieving results. In its review of agency budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest to achieve agency and statewide results?

- How do we know we are purchasing these activities at the best possible price?

- Given financial or other constraints, how can we maximize the results that citizens want?

The agency strategic plan, activity descriptions, and decision package information should all play key roles in answering these questions. The best budget proposals are persuasive not only at the agency level, but also within the broader statewide context that OFM and the Legislature must consider in making decisions. Proposals that make the strongest case will be those that can discuss the value and benefits of the outcomes they intend to deliver to achieve statewide results.

More information about POG

You can find more information about Priorities of Government at the OFM website, http://www.ofm.wa.gov/budget/pog/default.htm.

1.2   Where to find fiscal context information for the 2005-07 budget

The OFM website offers updated fiscal context information

Beginning in mid-April, you can find updated fiscal context information on the OFM website at http://www.ofm.wa.gov/budget/documents/07-09fiscalcontext.pdf.   This document provides an overview of revenue and caseload forecasts and their implications for the 2007-09 budget, as well as links to a six-year fiscal outlook prepared by OFM. (Six year fiscal outlook can be found at http://www.ofm.wa.gov/fiscal/outlook/default.asp) The Part 1 Budget Instructions also discussed budget considerations related to Initiative 601 and the state debt limit. You can find additional population, revenue, and caseload forecast information at these websites: http://www.cfc.wa.gov/ (Caseload Forecast Council), http://www.erfc.wa.gov/home.htm (Economic and Revenue Forecast Council), and http://www.ofm.wa.gov/forecasting/default.asp (OFM).

1.3   How is a budget request organized?

Recommendation Summary format summarizes the budget

Budget requests are summarized in a step-table format referred to as the "Recommendation Summary." The Recommendation Summary begins with current biennium legislative spending authority and lists significant incremental changes to arrive at the agency's 2007-09 request. Ideally, each single line on the Recommendation Summary should represent a single budget policy decision.

Decision packages are one set of budget building blocks

Agencies must describe and support each requested incremental change to the current budget with a decision package. Decision packages are the place for agencies to make a persuasive case for their requested budget changes.

The Budget Development System (BDS) assists agencies in developing the budget decision packages and produces the resulting Recommendation Summary report.

Major budget categories help to organize the request

The incremental steps in the Recommendation Summary are grouped to help OFM and legislative fiscal staff analyze certain categories of expenditure changes from the current biennium level.

Carry-forward

Carry-Forward Level – How much of the budget proposal is the biennialized cost of continuing the workload or services already authorized through legislative budget decisions? OFM, in consultation with agency and legislative staff, determines the carry-forward level and communicates the dollar amount to agencies as soon as possible after the 2006 supplemental budget is enacted. Section 5 discusses carry-forward calculations in more detail.

Maintenance

Maintenance Level – How much of the budget proposal is the cost of additional mandatory caseload, enrollment, inflation, and other legally unavoidable costs not contemplated in the current budget? Maintenance level changes to budgeted, nonappropriated funds are also listed in this category. Section 5 discusses this category in more detail.

Policy and performance

Policy and Performance Changes – What other expenditure change proposals are contained in the agency request budget? These options may represent significant changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. Section 6 discusses this category in more detail.

The activity inventory provides another important set of budget building blocks

While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does. What are the activities of the agency? What does it cost to perform them? What are the products and outcomes of each? What is the connection between the outcomes of those activities and the desired statewide results?

Agencies also present the budget by activity

Agencies must also prepare and submit an activity view of the budget in addition to the traditional decision package format. Section 2 discusses the activity inventory and activity budget requirements in more detail.

Additional supporting information is needed for the request

In addition to the decision packages, Recommendation Summary report, and activity inventory, the budget submittal includes other information OFM needs to analyze the budget request:

- Agency performance measures and the Performance Measure Incremental Estimates report (Budget Instructions Part 1, Section 2 and Budget Instructions Part 2, Section 9),

- Agency revenue and working capital reports (Section 8), and

- Other special reports (refer to Section 13 to see which reports apply to your agency).

Agency strategic plans, due to OFM on June 1, are also critical to budget analysis. See Budget Instructions Part 1, Section 1 for complete information on Strategic Plan submittal requirements.

Some agencies provide budget data at the program level

Although OFM reviews most recommendation summaries at the agency/decision package level, we do ask for some program detail from agencies. For the agencies listed below that are appropriated at program (or lower) level, we request that program level recommendation summaries be included with your agency request.

001	Bond Retirement and Interest
225	Washington State Patrol
240	Department of Licensing
300	Department of Social and Health Services − program level, except the following submitted at category level:

- Mental Health
- Developmental Disabilities

305	Department of Veterans Affairs
310	Department of Corrections
343	Higher Education Coordinating Board
350	Superintendent of Public Instruction
405	Department of Transportation
406	County Road Administration Board
407	Transportation Improvement Board

All other agencies do not need to submit budget information by program.

1.4   What are the submittal requirements?

What are the required components of the budget submittal?

The chart below shows the required components of the budget submittal and the way the material should be organized in the notebooks submitted to OFM. It is most helpful if notebooks include labeled tabs.

For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090, and 43.88.120.

Required Budget Submittal Components

TAB A
- ❏ Agency Organization Chart
- ❏ Agency Activity Inventory Report *BDS report (Section 2 and Section 9.1)*
- ❏ Performance Measure Incremental Estimates Report *BDS report (Section 9.2)*
- ❏ Indirect Cost Allocation to Activities Description** *(Section 2.4)*
- ❏ Business Plans - Part 2 *– only for accounts and agencies listed in Part 1, Section 2.2*

TAB B
- ❏ Recommendation Summary at Agency Level *BDS report (Section 3)*
- ❏ Recommendation Summary at Program Level *BDS report (Section 3) – only for agencies listed in Section 1.3*

TAB C
- ❏ Decision Package Summary *BDS report (Section 4)*
- ❏ Individual Decision Packages* *BDS entry form and report (Section 4)*

TAB D
- ❏ Summarized Revenues *BDS report (Section 8.1)*
- ❏ Working Capital Reserve (**B9-1**) *By Fund Administrators – BDS entry form and report (Section 8.4)*
- ❏ Revenue Transfer Reconciliation Statement *(Section 8.3)*
- ❏ Federal Fund Estimates/State Match *OFM template (Section 13.2)*
- ❏ Non-Budgeted Local Fund Summary (**B10**) *OFM template (Section 13.1)*
- ❏ Puget Sound Action Team Work Plan Expenditures *(Section 13.6)*
- ❏ JLARC Audit Responses *(Section 1.5)*

TAB E
- ❏ Targeted Budget Instruction Responses *Responses and proposals not included as a decision package in Tab C (Section 6.2)*

- ❏ Copy of each decision package that includes information technology investments*: s*ubmit to DIS (Section 11.2)*

- ❏ Sixteen-Year Transportation Agency Program/Financial Plan: s*ubmit to DOT or Fund Administrator (Section 13.4)*

- ❏ Updated agency descriptions: return completed template to Laurie Lien at Laurie.Lien@ofm.wa.gov

* Please refer to the checklist in Section 11.1 for the full list of items to be included with information technology project-related decision packages.

** Please send an electronic copy of Indirect Cost Allocation to Activities information to Linda Swanson at Linda.Swanson@ofm.wa.gov

How many copies must we submit?	With the exceptions below, each agency should send <u>five complete copies</u> of its operating budget submittal document to OFM. Three of these copies are retained by OFM, one is sent to the Senate Ways and Means Committee, and one is sent to the House Appropriations Committee.
Higher education requirements	Higher education institutions should submit <u>two additional complete copies</u>, for a total of seven copies. OFM will forward one to the Higher Education Coordinating Board and one to the Council of Presidents' Office.
Transportation-funded agency requirements	Transportation agencies (see the list of agencies in Section 13.4), the Utilities and Transportation Commission, State Parks and Recreation Commission, Department of Agriculture, LEAP, and State Auditor should submit <u>two additional complete copies</u> for a total of seven copies. OFM will forward one to the House Transportation Committee and one to the Senate Highways and Transportation Committee.
How many copies of the Strategic Plan must be submitted to OFM by June 1?	Please submit at least five copies of the agency strategic plan, and either one electronic version of the plan (preferred), or two additional hard-copy plans (for a total of seven.) The plan is due on June 1.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all material and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as shown above.

What is the submittal address?

Operations Section, Budget Division
Office of Financial Management
300 Insurance Building
Post Office Box 43113
Olympia, Washington 98504-3113

Budget notebooks and the release of budget system information are due on the same day

Agencies must release the Agency Request version in the Budget Development System to OFM to send the electronic data to OFM and complete the submittal requirements. **OFM needs both the budget notebooks and the system data to begin the analysis of the agency budget. Both are due to OFM on the date listed for your agency in Appendix A-1.**

1.5 ☒ Other general preparation requirements

What are the rounding protocols?
- Round all expenditure and revenue amounts to whole dollars except in the case of individual claims (legal judgments, Local Improvement District assessments, etc.) that must be reported exactly. Round fractions of dollars from $.01 through $.49 to the next lower whole dollar, and $.50 through $.99 to the next higher whole dollar.
- Omit dollar signs ($) except where necessary to distinguish dollars from other numbers.
- Round FTE amounts to the nearest tenth.

Note: BDS reports will be accepted as produced.

How do we display negative numbers?
Use parentheses to indicate numbers reflecting expenditure decreases.

Required fund code conventions for budget documents
With few exceptions, use the state accounting system coding scheme for account numbers and other designations used in the budget documents. Fund codes require both the account number and the appropriation type code that indicates the source character of the funds involved. Separate the one-digit appropriation type from the three-digit account number with a hyphen as shown in the table below.

General Fund

The following fund sources, where applicable, must be identified separately:

001-1 General Fund-State. Include applicable compensation adjustment allocations. Appropriation Type 1.

001-2 General Fund-Federal. Include applicable compensation adjustment allocations. Appropriation Type 2.

001-5 General Fund-Other Federal Fixed Grants (DSHS and Department of Health only). Include applicable compensation adjustment allocations. Appropriation Type 5.

001-7 General Fund-Private/Local. Appropriation Type 7.

001-0 General Fund-Federal: Social Services Block Grant−Title XX (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type 0.

001-A General Fund-Federal: Family Support/Child Welfare−Title IV (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type A.

001-C General Fund-Federal: Medicaid−Title XIX. Include applicable compensation adjustment allocations. Appropriation Type C.

001-D General Fund-Federal: Temporary Assistance for Needy Families (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type D.

001-E General Fund-Federal: Child Care Development Funds (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type E.

Motor Vehicle Account

108-T   Motor Vehicle Account Bonded Projects: (DOT only). Use to identify bonded transportation projects. Appropriation Type T.

Other Appropriated Treasury Funds

Identify other appropriated treasury funds by the following appropriation types:

State:	Appropriation Type 1
Federal:	Appropriation Type 2
Private/Local:	Appropriation Type 7

Nonappropriated Funds

All nonappropriated funds, regardless of original source of funding, must use Appropriation Type 6.

Departmental request legislation with a budget impact is due with the budget request

Departmental request legislation proposals with a budget impact must be submitted to Patsy Ellis, Governor's Executive Policy Office, by the budget submittal due date. More detailed instructions for submitting agency request legislation will be distributed in a letter to agency directors from the Governor's Office. Proposed departmental request legislation will be reviewed with the Governor this fall. Agencies must include decision packages in the budget submittal for any of these proposals that have revenue or expenditure impacts.

Please ensure that other agencies potentially affected by your agency's proposed legislation are aware of the request, since OFM will need fiscal notes from each affected agency. Each agency will also need to include the fiscal impact in its budget submittal.

Report requested changes to budget program structure by May 10, 2006

If an agency is considering changing budget program or subprogram structure as part of its 2007-09 budget, the necessary justification must be submitted to OFM no later than May 10, 2006. This will allow sufficient time to obtain LEAP approval as required by the State Budgeting, Accounting, and Reporting Systems Act (RCW 43.88). Please refer to the memo regarding this process on the OFM budget instructions web site at http://www.ofm.wa.gov/budget/instructions/default.asp.

Include JLARC audit responses in the budget submittal

RCW 43.88.090(1) requires agencies to reflect consideration of applicable Joint Legislative Audit and Review Committee (JLARC) performance audit recommendations in their budget requests. Specifically, "The estimates must reflect that the agency considered any alternatives to reduce costs or improve service delivery identified in the findings of a performance audit of the agency by the joint legislative audit and review committee. Nothing in this subsection requires performance audit findings to be published as part of the budget."

The following agencies should include narrative in their budget requests that describes the current status of audit responses to JLARC findings and recommendations issued from January 2004 through January 2006. Specific audits and studies are listed on the JLARC website at
http://www1.leg.wa.gov/JLARC/Audit+and+Study+Reports.

Department of Agriculture
Capital Projects Review Board
Department of Community, Trade and Economic Development
Department of Ecology
Employment Security Department
Office of Financial Management
Health Care Authority
Higher Education Coordinating Board
Information Services Board
Department of Information Services
Department of Labor and Industries
Department of Natural Resources
Department of Social and Health Services
Spokane Intercollegiate Research and Technology Institute
State Board for Community and Technical Colleges
Office of Superintendent of Public Instruction
Washington State Convention and Trade Center
Workforce Training and Education Coordinating Board

Agencies should be prepared to provide this information to JLARC as well.

1.6   Using the Budget Development System

Use the BDS for developing budget proposals	The Budget Development System (BDS) serves as a tool for budget submittal and facilitates actual budget development. BDS enables an agency to develop its budget by decision package, capturing the information (narrative, expenditure, revenue, activity inventory and performance measure data) necessary to explain and justify the agency's request. The system also will generate many of the budget reports required as part of the submittal.
Salary Projection System (SPS)	The Salary Projection System (SPS) can assist agencies in developing staffing-related FTE and expenditure estimates. The system can be used to analyze the cost of current staff levels or to develop scenarios to estimate the cost of budget proposals.
BASS training and assistance	If you would like more information or assistance in using BASS systems, please contact the BASS Help Desk at (360) 725-5278. Training classes or self-guided tutorial lessons are also available. Training information and registration can be found on-line at http://www.ofm.wa.gov/accounting/training.asp. More information on SPS, BDS, and other BASS products can be found in the BASS Library at http://systems.ofm.wa.gov/BASSPR/library/default.htm (https://fortress.wa.gov/ofm/systems/basspr/library/ for Fortress users).